

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Stephen M. Haase

**SUBJECT: EVERGREEN VISIONING
PROJECT**

DATE: June 16, 2005

Approved

Date

6/16/05

COUNCIL DISTRICTS: 5, 7, and 8

SNI AREAS: KONA, West
Evergreen, and East
Valley/680

RECOMMENDATION

Planning staff recommends approval of the following actions pertaining to the Evergreen Visioning Project:

1. Approval of the work plan,
2. Approval of the Vision and Expected Outcome statements,
3. Direction to the Evergreen Visioning Project Task Force to use Vision and Expected Outcomes statements as its direction for creating the Evergreen Vision Strategy, and
4. Initiation of an update to the Evergreen Development Policy and associated General Plan text amendments.

BACKGROUND

On May 17, 2005, the City Council directed the Administration to organize a study session regarding the Evergreen Visioning Project and key policy issues, such as industrial conversion, affordable housing, and funding strategies. The study session was held on June 8, 2005, and the City Council discussed these and other policy issues with community members, City staff, and other experts. Based on the discussion at the Study Session, staff has prepared this memorandum bringing forward recommendations for the Council's consideration.

Additional background material can be found in previous staff reports on the Evergreen Visioning Project/Smart Growth Strategy, available through electronic links with the following

City Council Agenda items at www.sanjoseca.gov/clerk/agenda.asp. Memoranda on this topic from the Mayor and City Council members are also available through links to these agenda items.

- City Council Study Session of June 8, 2005, all items
- City Council Meeting of May 17, 2005, item 4.3
- City Council Meeting of April 19, 2005, item 4.7
- City Council Meeting of March 16, 2004, item 4.3
- City Council Meeting of January 27, 2004, item 4.5
- City Council Meeting of November 4, 2003, item 4.7

The recommendations contained in this memorandum are organized as follows:

1. Work Plan
2. Vision and Outcome Statements
3. Evergreen Development Policy Update

ANALYSIS

1. Work Plan

The work plan has been updated to include monthly Task Force meetings, expanded community outreach, and the completion of key products of the Evergreen Visioning Project (EVP) in spring 2006 (see Attachment 1). The EVP is a comprehensive land use and transportation planning effort that is expected to guide future development within the Urban Service Area east of Highway 101 and south of Story Road, while providing transportation improvements and community amenities.

The products of the EVP include:

- Evergreen Vision Strategy document to articulate a vision for the area, explain the community process, and contain design guidelines to ensure a high quality community.
- Evergreen Development Policy update to create new traffic allocations to allow new residential development capacity within the Development Policy Area (south of Story and east of Highway 101) by linking transportation improvements and community amenities with new development.
- General Plan Text amendments to incorporate the Evergreen Development Policy update.
- General Plan Land Use/Transportation Diagram amendments to secure the development potential of the four opportunity sites, commonly referred to as Arcadia, Pleasant Hills Golf Course, Campus Industrial, and a portion of the Evergreen Valley Community College.

- Financing Strategy to identify the appropriate financing mechanisms to ensure the construction of the transportation improvements and community amenities.
- Environmental Impact Report to assess the potential environmental effects of the EVP and related actions, in compliance with the California Environmental Quality Act (CEQA).

Other products of the Evergreen effort will ultimately include the rezoning of some or all of the opportunity sites and the formal creation of a Community Facilities District to finance transportation and amenity improvements. It may be possible to process the zoning applications concurrently with the General Plan land use amendments; however, it is not possible that the formation of the Financing District will be ready in the spring of 2006. This will follow after the Council's consideration of the General Plan amendments.

Trade-Off Analysis

The Evergreen Visioning Project proposes a complex balance of new development and improvements. Inherent in this balance are a series of policy trade-offs that the Council will ultimately need to consider with the final package. While this memorandum suggests Expected Outcomes for the EVP, the Council may wish to refine these outcomes later in the process in light of technical information. For this reason and to facilitate Council decision-making, staff is proposing to evaluate the effect of different policy choices (such as residential densities, industrial conversion, and affordable housing) on the ability to pay for improvements and amenities; create jobs and economic growth; and achieve other policy objectives. An outside consultant could conduct this trade-off analysis under the City's direction.

It is likely that the analysis would take several months to complete; however, it could be the basis for a Progress Report to the Council before the end of the calendar year. The preliminary results would be presented to the Task Force for their review and comment prior to the Council's consideration.

2. Vision and Expected Outcomes

The June Study Session provided an opportunity for the Council to discuss several key policy issues. Based on the discussion, staff is recommending a set of Vision and Expected Outcome statements as the foundation for the EVP Task Force work (see Attachment 2). All of the proposed outcomes are consistent with the San Jose 2020 General Plan. While most of the outcome statements are self-explanatory, a few of them are discussed in more detail in this report.

Guiding Principles

The original EVP Task Force carefully crafted Guiding Principles to be used for consensus decision-making. Now that the Task Force is evolving to its new configuration, the Guiding

Principles should remain intact as a stand alone document (see Attachment 3) and incorporated by reference in the Expected Outcomes. Staff is recommending that the Guiding Principles be respected as the basis for the overall vision for the Evergreen Vision Strategy. All of the proposed Expected Outcomes are consistent with the Guiding Principles.

Industrial Conversion

One of the most significant policy issues raised by the EVP is the potential conversion of 320 acres of Campus Industrial lands in the eastern portion of Evergreen. The Evergreen Campus Industrial area is considered in the Council adopted Employment Land Conversion Framework as one of the "subareas to consider for conversion to housing, retail, mixed use, or other Household Serving Industries in certain circumstances." The Framework provides specific guidance for the Evergreen Industrial Area: "Consider uses if recommended through the Evergreen Smart Growth Strategy process." This statement is broad enough to consider a partial conversion of the Campus Industrial area.

Since the start of the EVP, Hitachi Global Systems has announced their intention to move to the existing office building in this area. In light of this, staff is recommending that the southern 120-acre portion of the area remain Campus Industrial. This would create a critical mass to retain Hitachi and attract other corporate users that prefer a more remote workplace setting in close proximity to Evergreen Valley Community College. Staff has had recent conversations with major corporate users who acknowledge the unique location advantages of the Evergreen Campus Industrial area.

Through the EVP process, staff would like to explore a potential increase in workplace intensity on these lands to create more development and job-generating opportunities. Similarly, the amenities that are currently proposed in that area (e.g., Evergreen Little League fields) should be relocated to other sites, and the housing products on the remaining Campus Industrial lands may need to be re-examined to determine if increases in density are appropriate.

The recommendation to retain a portion of the Campus Industrial lands is consistent with the City's long-standing policy goal of maintaining a viable supply of employment land to:

- Have a strong fiscal base to provide high quality services to residents, workers, and visitors;
- Attract, retain, and expand jobs as part of a balanced community where residents have the opportunity to work in the City; and
- Maintain a diverse supply of employment land to meet the dynamic and ever-changing needs of innovative Silicon Valley businesses.

In addition, there may be some "internalization" of car trips within Evergreen and/or reverse commute benefits by retaining job opportunities in Evergreen. These issues would be studied more thoroughly in the Environmental Impact Report currently in preparation.

Retail and Other Economic Development Opportunities

Retail development is also an important part of the City's economic base. For this reason, retail opportunities should be harnessed, particularly at the Arcadia site, to create needed shopping for existing and future residents. The preliminary draft Retail Study indicates significant market demand for new retail, restaurants, and professional office uses (e.g., dental, medical, accounting, etc.). To the extent possible, new retail should be added in the study area so as to strengthen the Evergreen Village in the Specific Plan area. These uses would improve livability as well as contribute to the City's tax base.

Affordable Housing

The creation of affordable housing throughout the San Jose community is another long standing policy goal. Affordable housing is critical to attracting and retaining a qualified workforce in San Jose, enabling the City to compete in a global marketplace. The opportunity to create affordable housing as part of the EVP should not slip away.

One of the Task Force's Guiding Principles is to: "Establish development opportunities for affordable and mixed income housing to meet the housing needs of all stages of life (single, married, family, 'empty nester,' and senior)." Based on the City Council discussion at the Study Session, staff has identified the following options for affordable housing in Evergreen:

1. Only require new housing developments within Redevelopment Project Areas (e.g., Arcadia) to provide affordable housing by meeting the full inclusionary policy requirements adopted by the City Council.
2. Meet all of the inclusionary requirements on sites in Redevelopment Project Areas and require an overall target of 20% affordable housing for any site within the study area (i.e., the Urban Service Area south of Story Road and east of Highway 101). This could be achieved through:
 - a. Construction of affordable units on-site, or
 - b. Payment of an in-lieu fee.
3. Meet all of the inclusionary requirements on sites in Redevelopment Project Areas and require an overall target of 20% affordable housing only on lands being converted from industrial to residential uses. This could be achieved through:
 - a. Construction of affordable units on-site, or
 - b. Payment of an in-lieu fee.

Under current City policy, only the Arcadia site is required to provide affordable housing because it is located within the Strong Neighborhoods Initiative Redevelopment Project Area. Staff is recommending that this site meet the full extent of the existing City Council policy requiring 20% of all units on this site to be affordable. Any other infill sites over time, located in other Redevelopment Project Areas south of Story Road and east of Highway 101, would also

need to meet this requirement. Other Redevelopment Project Areas include the retail cluster at White and Quimby Roads, and a portion of the Story Road Neighborhood Business District.

The housing being contemplated for the Evergreen Valley Community College site might be intended primarily for faculty, staff and students. Such housing is likely to be affordable; however, the City's legal ability to put an affordable requirement on college-related housing may be limited.

For the Campus Industrial and Pleasant Hills Golf Course opportunity sites, affordable housing opportunities are more limited given their suburban context. The townhome products may be appropriate affordable housing; however, the ability to obtain long term deed restrictions may be constrained for such for-sale units.

In light of the unique challenges for Evergreen, staff is recommending the exploration of option 3 as part of the EVP process. This approach could create additional affordable housing beyond the inclusionary requirements in Redevelopment Project Areas.

3. Evergreen Development Policy Update

In 1976, the City Council adopted the original Evergreen Area Development Policy (EDP) to address transportation and flood protection constraints to development in Evergreen, defined as the area within San Jose's Urban Service Area boundary, south of Story Road and east of U.S. Highway 101. The EDP identified specific programs and policies for flood protection, and established an allocation program to phase residential development based on available traffic capacity and planned traffic improvements. The EDP has been amended a few times since, most recently in 1995.

The current EDP created allocations for 4,759 housing units. Of this, 797 units remain undeveloped. 269 of those units are in the Evergreen Specific Plan area and 528 units are in greater Evergreen. 217 units of the greater Evergreen units are allocated to the Arcadia site under the existing policy. The EDP also creates traffic capacity for jobs. To date, the job production has not materialized in Evergreen.

An important component of the EVP is an update to the Evergreen Development Policy. This Policy update would provide the linkage between future development and the construction of transportation improvements and community amenities. The Policy area is proposed to remain the area south of Story Road and east of Highway 101.

The Policy update can provide new development capacity for the opportunity sites (3,200 to 5,150 units) as well as a "pool" of development capacity for additional residential and/or mixed use prospects (335 to 700 units). At the Study Session, staff was asked to confirm the development potential of additional vacant and underutilized sites within the Urban Service Area south of Story Road and east of Highway 101.

Staff has determined that there are approximately 140 acres of vacant land and significant opportunities for the reuse of older shopping centers. Given that some of the shopping centers should remain in commercial use to provide needed services to residents and enhance the City's revenues, not all of the underutilized centers are considered available for housing development. Of the remaining sites, staff estimated approximate housing yields that would be compatible with the surrounding areas. Based on this analysis, staff estimates the "pool" for the Evergreen Development Policy Update could be increased up to 1,000 units in order to provide meaningful capacity beyond the four opportunity sites. While the capacity could even be greater, it is assumed that 1,000 "background" units would be ample for a ten year time horizon. Any additional capacity should be considered during the next comprehensive update of the City's General Plan.

As the Evergreen Visioning Project moves forward, the Council is being asked to initiate an update to the Evergreen Development Policy and associated General Plan text amendments. The initiation of such an update by the full Council is necessary to demonstrate that it is of citywide interest and importance to pursue the update.

PUBLIC OUTREACH

The Evergreen Visioning Process has involved community outreach through a series of open community task force meetings and interactive presentations to a wide variety of Evergreen community groups, school associations, and business groups. Going forward, outreach will continue with the task force and the groups mentioned above as well as broad community meetings and meetings in specific subareas. Appropriate City Commissions will also be consulted as part of this process, providing additional opportunities for public participation. Ultimately, the Planning Commission and the City Council will hold public hearings to consider the entire EVP package.

COST IMPLICATIONS

In February 2003, the City Council approved the Mayor's Budget Strategy memorandum setting forth specific guidance to control costs. With respect to long range planning, the direction was "to defer or suspend advance land use planning efforts without outside funding." Per this Council direction, Yerba Buena Opco, Inc. (a set of self-selected Evergreen property owners) are financing the staff and consultant costs associated with the preparation of the Evergreen Visioning Project, the Evergreen Development Policy update, the Environmental Impact Report, and other associated products. This report and the consideration of its recommendations have no additional cost implications to the City.

June 16, 2005

Subject: Evergreen Visioning Project

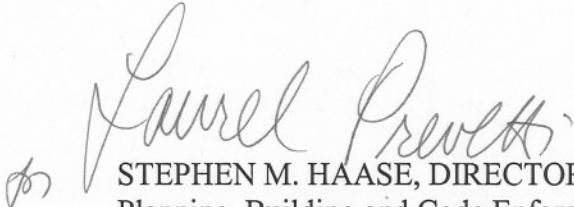
Page 8

COORDINATION

The preparation of this memorandum was coordinated with the Departments of Housing, Finance, Public Works, and Transportation; Office of Economic Development; Redevelopment Agency; and City Attorney's Office. The EVP effort overall also includes other City operating departments and outside agencies such as the Valley Transportation Authority, Caltrans, and the Santa Clara Valley Water District.

CEQA

Exempt, PP03-10-349.


STEPHEN M. HAASE, DIRECTOR
Planning, Building and Code Enforcement

Attachments:

1. Work Plan
2. Vision and Expected Outcomes
3. Guiding Principles